

# HONDURAS: PUERTO CORTES SEWERAGE PROJECT

(Loan 997/SF-HO)

## EXECUTIVE SUMMARY

<b>Borrower:</b>	Municipality of Puerto Cortés.		
<b>Guarantor:</b>	Government of Honduras		
<b>Implementation Agency:</b>	Municipality of Puerto Cortés.		
<b>Amount and source:</b>	IDB Loan (FSO):	US\$	13.8 million
	Counterpart:	US\$	2.4 million
	Total:	US\$	16.2 million
<b>Terms and conditions:</b>	Amortization Period:	40 Years	
	Disbursement Period:	4 years	
	Interest Rate:	1% for first ten years 2% thereafter	
	Inspection and supervision fee:	1% per year	
	Commitment fee:	0.5% of undisbursed commitment	
<b>Objectives:</b>	<p>The overall aim of the project is to contribute towards the design of an efficient model for potable water and sanitation services in Honduras at a local level. The Project is a precursor to the Potable Water and Sanitation Investment Program for intermediate municipalities that was being prepared by the Government of Honduras for a loan from the IDB (eventually approved as loan 1048/SF-HO). The Project demonstrates autonomy of the service provider, regulation, financial sustainability and community involvement, all of which were utilized in the design of the Investment Program.</p> <p>The Project will ensure that Puerto Cortés itself has an efficient and sustainable arrangement for potable water supply and wastewater services, including the sewerage infrastructure to ensure the safe, environmentally acceptable disposal of liquid waste.</p>		
<b>Description:</b>	<p>The Municipality of Puerto Cortés has embarked on the reform of the potable water and sanitation services. Under the project, the municipal water division, DAMCO, has been converted into a commercial company, the majority of shares in which are owned by the Municipality. The company has been created with the sole purpose of providing potable and wastewater services and it has signed a agreement with the Municipality for the leasing of the water and sewerage infrastructure.</p> <p>The project itself is divided into the following components: 1) <u>Administration and Engineering</u> (US\$1,390,000) to cover the hiring of a Project Manager for the overall implementation of the project, a short-term consultant to initiate the project and a works consultant for the construction phase. 2) <u>Institutional development</u> (US\$784,000) which covered the work necessary to convert DAMCO into the operating company, draft the leasing agreement and put the new institutional arrangements into operation. 3) The</p>		

construction of the sewerage system (US\$10,870,000) due to be completed in 2001. 4) Complimentary activities (US\$546,000) to cover activities necessary for the acquisition of land and the resettlement of families living on land without formal title.